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MEMORANDUM FOR THE PRESIDENT

ON-FILE NSC RELEASE
INSTRUCTIONS APPLY

FROM: Henry A. Kissinger

SUBJECT: National Intelligence Estimate on Peru

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C05138897

The National Intelligence Estimate (December, 1969) at Tab A is a good brief summary of the Peruvian situation and the factors that influence it, and the prospects over the next year. It assesses the character of the regime; the political factors which influence its course; its intentions regarding reform, and how well it has done; the economic problems it faces; and its attitude toward the US. Its conclusions are:

- The military is likely to retain political control of Peru for at least several years. There is no effective opposition and none is likely to develop in the next year or so.
- There are differences of opinion within the leadership, but Velasco and the moderates are likely to prevail on such issues as the pace and scope of reform and attitudes toward foreign investment. If they feel frustrated in the attainment of their goals, however, the military are likely to become more radical rather than retreat to conservative policies.
- The ultimate goals of the regime remain modernization, economic development, a redistribution of political and economic power, and a reduction of the influence of traditional elites and foreign (read US) economic interests. Before they return the job of government to civilians they will probably have considerably modified Peru's institutions and structures.
- The regime knows, however, that it must encourage both foreign and domestic investors to obtain resources to implement its programs. This presents dilemmas. It has

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already led to a growing pragmatism; yet the regime wishes to appear strong and resolute with its commitment to basic reform undiluted. It feels some conflict between professed nationalism and the need to encourage foreign investment in mining. It seeks to encourage domestic private investment; yet increase the government's influence over allocation of economic resources.

- In sum, its reform program is likely to be subjected to conflicting pressures and to follow a zig-zag course. In any case, the modernization of Peru and the solution of its basic problems will take decades, not years, and it will severely tax the available human and financial resources (see pp. 15-16).
- It is unlikely that the Peruvians will turn strongly toward the Soviets for support. They may seek some degree of financial and technical assistance from the Soviets and Eastern Europe. But most Peruvian military leaders are wary of the dangers of too close a relationship.
- The Soviets will probably be equally wary. It is doubtful that under present conditions they would be willing to provide large-scale assistance. They will seek to use their ties to Peru to decrease US influence and gradually increase their own. This probably means support only for projects with high potential for success and maximum political and social impact.
- Peruvian attitudes toward the US are likely to remain ambivalent. In the short term the regime is likely to do little to resolve major pending issues such as compensation to IPC. Yet it has tried in its treatment of ITT and Southern Peru Copper to demonstrate a reasonable attitude toward US investors generally. On balance, it appears that the regime wants friendly ties with the US and continuing US investment, but only on terms that give Peru more of the fruits of the relationship. Strong nationalism, however, will probably cause further friction in US-Peruvian relations.
- In general the regime will remain extremely sensitive to US actions, both private and official. If the military come to believe that US actions or policies threaten the ultimate

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success of their program, they will almost certainly harden their attitudes toward US interests in Peru and elsewhere. In these circumstances, the regime might become much more radical than we ~~now~~ anticipate and might seek to establish closer relations with Communist countries than we now think likely.

The paper is particularly good in its description of the nature of the military regime (pp. 1-3), and of the economic problems it faces and how it is coping with them (pp. 5-7). It also has a well-done capsule summary of the social, cultural, geographical and economic factors which make development and modernization such a formidable and almost intractable problem (Annex, pp. 15-16).

Attachment:

Tab A - NIE "The Prospects for Peru"

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